

Message Text

CONFIDENTIAL

PAGE 01 BONN 05128 01 OF 08 271906Z

67

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

NIC-01 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

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ERDA-05 NRC-05 FEA-01 OES-03 SNM-02 DEAE-00 /118 W

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C O N F I D E N T I A L SECTION 01 OF 08 BONN 05128

E.O. 11652: XGDS-3

TAGS: OGEN, PFOR, GW, US

SUBJECT: ANNUAL POLICY ASSESSMENT

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PAGE 02 BONN 05128 01 OF 08 271906Z

INTRODUCTION

1. SO LONG AS WE CONTINUE TO BASE OUR POLICY ON THE FUNDAMENTAL ASSUMPTION THAT A PROSPEROUS AND DEMOCRATICALLY GOVERNED WESTERN EUROPE IS VITAL TO THE INTERESTS OF THE U.S., OUR COMPLICATED RELATIONSHIP WITH THE FRG WILL REMAIN ONE OF THE MOST IMPORTANT ASPECTS OF AMERICAN FOREIGN POLICY. IN THE THIRTY YEARS SINCE WORLD WAR II ENDED, THE FEDERAL REPUBLIC HAS BECOME AN INTEGRAL PART OF WESTERN EUROPE. ITS MEMBERSHIP IN THE EC AND IN NATO MUST BE SEEN IN RELATIONSHIP TO ONE ANOTHER. POLITICALLY AND ECONOMICALLY, THE EC HAS DONE FOR THE FRG WHAT NATO HAS DONE IN THE SECURITY SPHERE: GIVEN THE TRUNCATED WEST GERMAN STATE A MATRIX AND DIVERTED IT FROM THE TRADITIONAL GERMAN PREOCCUPATION WITH CENTRAL AND EASTERN EUROPE. THE BENEFITS HAVE NOT BEEN ONE-SIDED, HOWEVER. BONN'S WESTERN EUROPEAN NEIGHBORS HAVE TO A REMARKABLE DEGREE BECOME DEPENDENT ON THE SECURITY AND ECONOMIC STRENGTH PROVIDED BY ASSOCIATION WITH THE FRG. IT IS DIFFICULT TO IMAGINE WHAT A WESTERN EUROPE WITHOUT THE FRG WOULD LOOK LIKE.

2. THE PRESENT FEDERAL GOVERNMENT IS DETERMINED TO CONTINUE THE POLICY OF CLOSE ASSOCIATION WITH WESTERN EUROPE AND THE U.S. UNDER NORMAL CIRCUMSTANCES--I.E. BARRING SOCIAL CATAclysm IN THE FRG OR AN ABRUPT WITHDRAWAL OF THE U.S. FROM ITS ENGAGEMENT IN EUROPE--IT IS A VIRTUAL CERTAINTY THAT ANY FEDERAL GOVERNMENT OF WHATEVER POLITICAL COMPLEXION WILL FIND THIS THE ONLY CONCEIVABLE COURSE. IN THE HEYDAY OF THE BRANDT GOVERNMENT'S OSTPOLITIK THERE WERE OCCASIONAL SUSPICIONS THAT GERMAN NATIONAL INTERESTS--PRIMARILY THE PROSPECT OF A RECONCILIATION WITH THE GDR--MIGHT LEAD THE FRG TO TAKE STEPS THAT WOULD LOOSEN ITS BONDS TO THE WEST. WHATEVER BASIS THERE MAY HAVE BEEN FOR SUCH SUSPICIONS--THEY WERE CONNECTED MAINLY WITH BRANDT'S FRIEND AND PHILOSOPHER OF EASTERN POLICY, EGON BAHR--THEY NO LONGER EXIST. FOR ONE THING, THE GDR, ITSELF, WILL PROBABLY ENSURE THAT THE PROSPECT OF ANY FAR-REACHING NATIONAL RECONCILIATION REMAINS

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PAGE 03 BONN 05128 01 OF 08 271906Z

ILLUSORY. THE MORE SOBER MOOD IN EAST-WEST RELATIONS WHICH HAS BEEN NOTICEABLE FOR A YEAR OR MORE IS NOT A PRODUCT OF THE SCHMIDT GOVERNMENT'S POLICY, BUT IT FITS WELL WITH THE CHANCELLOR'S OVERRIDING CONCERN FOR STABLE CONDITIONS AND FIRM RELATIONSHIPS IN WESTERN EUROPE.

THE GERMAN DOMESTIC SCENE

3. THE WEST GERMAN GOVERNMENT HAS NOT HAD AN ENTIRELY EASY TIME SINCE SCHMIDT TOOK OVER THE CHANCELLORSHIP FROM BRANDT IN MAY OF LAST YEAR. SCHMIDT'S DOMESTIC POLITICAL PROBLEMS (REFLECTED IN AN EROSION OF THE SPD'S STANDING WITH THE GERMAN ELECTORATE) WERE COMPOUNDED BY A SIGNIFICANT ECONOMIC DOWNTURN AND THE CONCOMITANT RISE IN UNEMPLOYMENT, WITH RATHER HIGH SECTORAL CONCENTRATIONS. CONTRIBUTING TO A SENSE OF UNEASE HAS BEEN THE UNCERTAIN INTERNATIONAL SITUATION--PROBLEMS WITHIN THE EC; TENSION IN THE MIDDLE EAST WITH THE RELATED POTENTIAL THREAT OF OIL SUPPLY PROBLEMS; DEVELOPMENTS IN PORTUGAL, ON NATO'S SOUTHERN FLANK GENERALLY, AND IN SOUTHEAST ASIA; THE SEEMINGLY INSOLVABLE PROBLEM OF STAGFLATION WHICH AFFLICTS NEARLY ALL WESTERN SOCIETIES; DOUBTS ABOUT THE HEALTH OF THE U.S. ECONOMY AND ABOUT U.S.

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PAGE 01 BONN 05128 02 OF 08 271908Z

67

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

NIC-01 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

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ERDA-05 NRC-05 FEA-01 OES-03 SNM-02 DEAE-00 /118 W

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C O N F I D E N T I A L SECTION 02 OF 08 BONN 05128

DETERMINATION TO CONTINUE PLAYING A MAJOR ROLE ON THE
WORLD SCENE. THE CONTINUATION OF A DISTURBING LEVEL OF
ACTIVITY BY ANARCHO-TERRORIST ORGANIZATIONS SUCH AS THE
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PAGE 02 BONN 05128 02 OF 08 271908Z

BAADER-MEINHOF GROUP RAISES DOUBTS IN THE MINDS OF SOME
CITIZENS ABOUT THE ABILITY OF THE GOVERNMENT TO COPE
EFFECTIVELY WITH THIS PHENOMENON.

4. IN THE FACE OF THESE DIFFICULTIES, THE POLITICAL
SITUATION IN THE FRG HAS ON THE WHOLE REMAINED VERY
STABLE. THE TRANSITION FROM BRANDT TO SCHMIDT WAS
SMOOTH. THERE HAS BEEN A DISCERNIBLE CONSERVATIVE TREND
FOR AT LEAST THE LAST YEAR AND A HALF, LEADING TO CDU/CSU
GAINS IN ALL STATE ELECTIONS HELD DURING THE PERIOD. BUT
WITHIN THE RANGE OF PARTIES AND PERSONALITIES ACTIVELY
ENGAGED IN THE POLITICAL PROCESS THERE HAS BEEN ALMOST
NO EVIDENCE OF EXTREMIST TENDENCIES--IF ONE DISCOUNTS
REMARKS RECENTLY ATTRIBUTED TO CSU LEADER STRAUSS RELAT-
ING TO THE EXPLOITATION OF ECONOMIC DIFFICULTIES IN THE
INTEREST OF THE CDU/CSU OPPOSITION. GIVEN A REVERSAL OF
THE PRESENT ECONOMIC DECLINE, THERE ARE PROSPECTS FOR A
CORRESPONDING REVERSAL OF THE PREVAILING TREND AWAY FROM
THE COALITION PARTIES, OR AT LEAST FOR A STABILIZATION
OF THE SITUATION. THE OUTLOOK FOR THE 1976 NATIONAL
ELECTION REMAINS HIGHLY UNCERTAIN. IT WILL DEPEND IN
PART ON THE HEALTH OF CHANCELLOR SCHMIDT WHO, WHEN HE IS
IN GOOD FORM, REMAINS THE MOST IMPRESSIVE SINGLE POLITI-
CAL FIGURE IN THE FRG. THE PROSPECTS FOR THE SMALL FDP
ARE UNCLEAR: CYNICS MIGHT SAY THAT GENSCHER'S PARTY IS
UNLIKELY TO SURVIVE EITHER A FURTHER PROLONGED ASSOCIA-
TION WITH THE SPD OR A REVERSION TO COALITION WITH THE
CHRISTIAN UNION PARTIES, BUT THE FREE DEMOCRATS HAVE
SHOWN A REMARKABLE GIFT FOR SURVIVAL IN THE PAST, AND
THEY SHOULD NOT BE WRITTEN OFF YET. THEY SEEM TO BE
MANAGING TO SURPASS THE 5 PERCENT HURDLE IN THE VARIOUS

LAND ELECTIONS BEING HELD THIS SPRING.

5. THE RELATIONSHIP BETWEEN ECONOMIC PROSPERITY AND POLITICAL STABILITY REMAINS THE PARAMOUNT CONCERN OF THE CHANCELLOR. HE IS PROFOUNDLY AWARE OF THE VULNERABILITY OF THE FRG'S EXPORT-DEPENDENT ECONOMY AND, LIKE MANY THOUGHTFUL GERMANS, HE IS SENSITIVE TO THE HISTORICAL DIFFICULTIES THE GERMAN PEOPLE HAVE HAD IN FINDING MODERATE POLITICAL ANSWERS TO PROBLEMS OF ECONOMIC AND SOCIAL DISLOCATION.

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PAGE 03 BONN 05128 02 OF 08 271908Z

6. MANY EXTERNAL FACTORS BEAR ON THE FRG'S SITUATION, BUT NONE IS MORE IMPORTANT THAN THE RELATIONSHIP TO THE U.S. THAT IS WHY THE CURRENT CONDITION OF THE U.S. ECONOMY AND DEVELOPMENTS IN U.S. FOREIGN POLICY UNDER THE INFLUENCE OF THE CONGRESS ARE MATTERS OF SUCH CONCERN TO THE FEDERAL GOVERNMENT. SHOULD AMERICA LOSE THE ABILITY OR THE POLITICAL WILL TO REMAIN ACTIVELY ENGAGED IN EUROPE, THE REACTIONS OF THE FRG AND ITS WESTERN EUROPEAN PARTNERS ARE DIFFICULT TO PREDICT. IT IS UNLIKELY, HOWEVER, THAT VERY MANY FRG LEADERS WOULD SHARE THE CYNICAL VIEW THAT THE DEPARTURE OF THE U.S. IS JUST WHAT IS NEEDED TO GALVANIZE THE EC INTO A SPIRIT OF COMPROMISE AND DETERMINED ACHIEVEMENT WHICH IT HAS HITHERTO NOT SHOWN. ON THE CONTRARY, THE MORE PROBABLE OUTCOME WOULD BE A PERIOD OF DRIFT IN WHICH THE INDIVIDUAL WESTERN EUROPEAN COUNTRIES, PARTICULARLY THOSE LIKE THE FRG WHICH ARE MOST EXPOSED TO SOVIET POWER, WOULD SEARCH FOR FORMS OF CONCILIATION AND COMPROMISE WITH THE USSR.

7. GIVEN THE COMPLEXITIES OF OUR RELATIONS WITH THE FRG, IT IS IMPORTANT THAT AMERICAN VIEWS, AND AMERICAN PROBLEMS AS WELL, BE COMMUNICATED AND EXPLAINED TO THE BROADEST POSSIBLE SPECTRUM OF INFLUENTIAL GERMANS, BOTH IN AND OUT OF GOVERNMENT. WITH THIS IN MIND, THE EMBASSY MAINTAINS CLOSE CONTACTS WITH LEADING FIGURES IN ALL RESPONSIBLE POLITICAL PARTIES, THE ACADEMIC WORLD, FOUNDATIONS, BUSINESS AND INDUSTRY, AND THE LABOR MOVEMENT. WE HAVE PUT PARTICULAR EMPHASIS ON YOUTH AND IN THE ATTEMPT TO IDENTIFY AND REACH THOSE PERSONS WHO ARE LIKELY TO BE IN POSITIONS OF RESPONSIBILITY IN THE FUTURE.

EUROPEAN COOPERATION

8. THE FRG'S POSITION WITHIN THE EC HAS BECOME BOTH MORE DOMINANT AND MORE DIFFICULT AS A CONSEQUENCE OF THE GROWING DISPARITY BETWEEN THE PERFORMANCE OF ITS ECONOMY

AND THAT OF OTHER MEMBER COUNTRIES. THE TENDENCY OF
BONN'S PARTNERS TO LOOK TO THE FRG AS EC PAYMASTER IS NO

CONFIDENTIAL

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PAGE 04 BONN 05128 02 OF 08 271908Z

CONFIDENTIAL

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CONFIDENTIAL

PAGE 01 BONN 05128 03 OF 08 271914Z

67

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

NIC-01 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

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C O N F I D E N T I A L SECTION 03 OF 08 BONN 05128

DOUBT PAINFUL FOR THE GERMANS, BUT IT IS A ROLE THEY
CANNOT ENTIRELY REJECT, RECOGNIZING AS THEY DO THAT THEIR
SUCCESS AND THE RELATIVE FAILURE OF ALMOST ALL THE OTHERS
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PAGE 02 BONN 05128 03 OF 08 271914Z

ARE TWO SIDES OF THE SAME COIN. THE TASK OF THE FEDERAL
GOVERNMENT UNDER THESE CIRCUMSTANCES IS TO PERSUADE ITS
ELECTORATE THAT THE FINANCIAL SACRIFICES REQUIRED TO KEEP
THE EC TOGETHER AND AFLOAT ARE JUSTIFIABLE AND NECESSARY
IN LIGHT OF THE UNACCEPTABLE ALTERNATIVE--LOSS OF
MARKETS, GROWING UNEMPLOYMENT, AND A DRASTIC DROP IN THE
LEVEL OF PROSPERITY. IT NEEDS TO BE KEPT IN MIND,
HOWEVER, THAT THE FRG'S BUDGETARY SITUATION IS BECOMING
INCREASINGLY TIGHT. THE PROJECTED FEDERAL DEFICIT ON
THE CURRENT BUDGET IS APPROACHING DM 30 BILLION, IMPRES-
SIVELY HIGH FOR MANY WEST GERMAN CITIZENS. EVEN IF MANY
OF THE REFORMS EARLIER ENVISAGED BY THE COALITION OR BY
THE SPD ARE SET ASIDE, IT COULD BE INCREASINGLY DIFFICULT
FOR THE GERMANS TO FINANCE THEIR ALREADY HEAVY BURDEN OF
SOCIAL BENEFITS. A REVIVED ECONOMY COULD ALLEVIATE THE
SITUATION DUE TO THE INCREASED REVENUES AND A LESSENING
OF THE DRAIN CAUSED BY UNEMPLOYMENT BENEFITS. EVEN SO,
HIGHER TAXES ARE BEGINNING TO LOOM AS A DISTINCT
POSSIBILITY WHICH, DEPENDING ON THE TIMING, COULD ENTAIL
POLITICAL REPERCUSSIONS.

9. THE FRG HAS CONTINUED TO PLAY WITHIN THE EC A ROLE
WHICH IS LARGELY CONSISTENT WITH AMERICAN INTERESTS, AND
THIS ROLE SHOULD BE RECOGNIZED AND ENCOURAGED. FRG
LEADERS AND OFFICIALS HAVE BEEN FRANK AND GENEROUS IN
THEIR INTERPRETATION OF THE REQUIREMENTS OF CONSULTATION
WITH THE U.S., BOTH AS REGARDS THE TRADITIONAL FUNCTIONS
OF THE EC AND WITH RESPECT TO EUROPEAN POLITICAL COOPERA-
TION. THEY DO NOT VIEW THE PROCESS OF EUROPEAN INTEGRA-
TION AS ONE THAT NEEDS TO BE CARRIED OUT IN A SPIRIT OF
RIVALRY OR HOSTILITY TO THE U.S.; ON THE CONTRARY, THEY
WOULD REGARD SUCH A DEVELOPMENT AS AGAINST THEIR OWN AND
EUROPE'S INTERESTS. AT THE SAME TIME, THEY ARE WELL
AWARE THAT U.S. AND EUROPEAN INTERESTS DO NOT COINCIDE
ENTIRELY AND THAT SOME OTHER EC MEMBERS, PARTICULARLY
FRANCE, ARE NOT PREPARED TO GO AS FAR AS BONN WOULD GO IN
ACCOMMODATING AMERICAN VIEWS. FROM THIS SITUATION THERE
INEVITABLY EMERGES A KIND OF BROKER'S ROLE WHICH IS A

REFLECTION OF THE FRG'S CONTINUING SPECIAL SENSE OF
DEPENDENCY ON THE U.S. AND AT THE SAME TIME OF ITS
DIFFICULT BUT ESSENTIAL RELATIONSHIP TO FRANCE. IT IS
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PAGE 03 BONN 05128 03 OF 08 271914Z

IN THE INTEREST OF THE U.S. TO MAKE AS MUCH USE AS
POSSIBLE OF THE GERMANS' WILLINGNESS TO REPRESENT
AMERICAN VIEWS WITHIN THE EC-9 WHILE AVOIDING, IF AT ALL
POSSIBLE, PUTTING THEM IN A SITUATION WHERE THEY ARE
FORCED TO CHOOSE BETWEEN WASHINGTON AND PARIS.

THE FRG AND NATO

10. WITH THE BUNDESWEHR FULLY INTEGRATED INTO THE NATO
STRUCTURE, THE FRG MAKES BY FAR THE LARGEST CONTRIBUTION
TO CONVENTIONAL ALLIANCE DEFENSE. SETTING ASIDE THE
FRENCH AND BRITISH NUCLEAR POTENTIAL, IT IS THE STRONGEST
EVEN THOUGH NOT THE NUMERICALLY LARGEST MILITARY POWER
IN WESTERN EUROPE. BONN HAS MAINTAINED ITS MILITARY
CONTRIBUTION AT A HIGH LEVEL THROUGHOUT THE PERIOD OF
DETENTE, ACTING ON THE ASSUMPTION THAT A STRONG ALLIANCE
WAS A NECESSARY BASIS FOR A SUCCESSFUL RELAXATION OF
RELATIONS WITH EASTERN EUROPE.

11. DESPITE THE SIZE AND STRENGTH OF THE BUNDESWEHR--
WHICH IN THE VIEW OF EXPERT OBSERVERS HAS BECOME AN
INCREASINGLY IMPRESSIVE FIGHTING FORCE--THE FEDERAL
GOVERNMENT SEES ITS VALUE ONLY IN TERMS OF A CONTRIBUTION
TO THE ALLIANCE AND ON THE ASSUMPTION OF U.S. ENGAGEMENT
IN EUROPE. NO ONE IN THE FRG ENTERTAINS THE NOTION THAT
THE BUNDESWEHR COULD INDEPENDENTLY COUNTER THE THREAT
FROM THE EAST OR--GIVEN THE POLITICAL CIRCUMSTANCES UNDER
WHICH IT CAME INTO BEING--OPERATE EFFECTIVELY ON ITS OWN.
THE GERMANS ARE PARTICULARLY SENSITIVE TO EXCESSIVE
CONSPICUOUSNESS OF THEIR MILITARY FORCE. THIS WAS
REFLECTED, INTER ALIA, IN THEIR ORIGINAL MBFR POSITION
WHEN THEY DESIRED TO INCLUDE THE BUNDESWEHR IN THE FIRST
PHASE OF REDUCTIONS. ONE OF THE MANY FUNCTIONS THAT THE
LARGE U.S. TROOP PRESENCE IN THE FRG HAS PERFORMED OVER
THE YEARS WAS TO PROVIDE COVER, AS IT WERE, FOR THE
GROWING BUNDESWEHR.

12. IT FOLLOWS THAT SIGNIFICANT UNILATERAL TROOP WITH-
DRAWALS BY THE U.S. WOULD ALMOST CERTAINLY NOT EVOKE A

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PAGE 04 BONN 05128 03 OF 08 271914Z

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PAGE 01 BONN 05128 04 OF 08 271917Z

67

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

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C O N F I D E N T I A L SECTION 04 OF 08 BONN 05128

POSITIVE COMPENSATING REACTION FROM THE GERMANS BUT WOULD

LEAD TO A FURTHER DISINTEGRATION OF THE NATO MILITARY
STRUCTURE. IT IS THEORETICALLY IF NOT PRACTICALLY CON-
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PAGE 02 BONN 05128 04 OF 08 271917Z

CEIVABLE THAT THIS KIND OF SELF-DESTRUCTIVE REACTION
COULD BE KEPT WITHIN LIMITS IF THE U.S. WERE ABLE TO
PERSUADE THE GERMANS THAT, DESPITE ANY UNILATERAL WITH-
DRAWALS, OUR NUCLEAR GUARANTEE WAS STILL VALID. BUT
THE GERMANS HAVE NEVER BEEN ENTIRELY FREE OF DOUBT ABOUT
THE VALIDITY OF OUR GUARANTEE, ALTHOUGH THEY HAVE NEVER
FELT, AS THE FRENCH DID, THAT THEY COULD AFFORD THE LUXURY
OF EXPRESSING THESE DOUBTS IN CLEAR TERMS. THE CIRCUM-
STANCES CREATED BY AN AMERICAN WITHDRAWAL WOULD MAKE IT
THAT MUCH HARDER TO CARRY CONVICTION.

13. OBVIOUSLY, THE DAY IS STILL FAR OFF WHEN THE
BEGINNINGS OF EUROPEAN DEFENSE COOPERATION--AS
EVIDENCED IN THE ACTIVITIES OF THE EURO-GROUP, FOR
EXAMPLE--CAN BE EXTENDED TO INCLUDE AN INTEGRATED
EUROPEAN NUCLEAR DEFENSE. IT HAS NEVER BEEN ENTIRELY
CLEAR WHAT STAGE OF INTEGRATION IN EUROPE WOULD PERMIT
THE EC TO SUCCEED, UNDER THE NPT REGIME, TO THE UK'S
AND FRANCE'S NUCLEAR CAPABILITIES; BUT THE UNCERTAIN
PROGRESS OF EUROPEAN INTEGRATION DISCOURAGES ANY THOUGHT
OF EARLY REALIZATION OF THIS POSSIBILITY. A SEPARATE
PROBLEM, OF COURSE, IS THE REACTION OF THE USSR TO A
SITUATION IN WHICH THE FRG, EVEN AFTER BEING SUBSUMED IN
A LARGER POLITICAL ENTITY, MIGHT GAIN SOME CONTROL OVER
A NUCLEAR DETERRENT.

14. BECAUSE OF THE GREAT IMPORTANCE THE GERMANS ATTACH
TO AMERICAN PRESENCE, THEY MAY BE WILLING TO CONTINUE THE
BIANNUAL SEARCH FOR WAYS OF OFFSETTING U.S. BALANCE OF
PAYMENTS LOSSES RESULTING FROM THE STATIONING OF AMERICAN
TROOPS IN EUROPE, ALTHOUGH GROWING BUDGETARY STRINGEN-
CIES, AS INDICATED ABOVE, MAY MAKE THIS INCREASINGLY
DIFFICULT. OUR CURRENT MILITARY OFFSET AGREEMENT WITH
THE FRG EXPIRES JUNE 30, 1975. AS ALWAYS, THE NEGOTIA-
TION OF A NEW AGREEMENT WILL NOT BE EASY. WE WILL,
NEVERTHELESS, NEED TO DECIDE WHETHER WE WILL SEEK A NEW
AGREEMENT AND, IF SO, WHAT ITS CONTENT SHOULD BE. WE
SHOULD KEEP IN MIND THAT THERE HAVE BEEN INDICATIONS
THAT CHANCELLOR SCHMIDT OPPOSES CONTINUATION OF OFFSET,
AT LEAST ALONG THE LINES OF THE PAST. IF HIS OPPOSITION
SHOULD BE CONFIRMED, AND SHOULD OUR DECISION BE IN FAVOR
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PAGE 03 BONN 05128 04 OF 08 271917Z

OF SEEKING A NEW AGREEMENT, AN APPROACH AT THE HIGHEST LEVEL WOULD CLEARLY BE REQUIRED.

GERMAN NATIONAL QUESTIONS

15. THE POSITION OF THE U.S. WITH RESPECT TO GERMAN NATIONAL ASPIRATIONS REMAINS COMPLICATED EVEN THOUGH THE FEDERAL GOVERNMENT HAS ITSELF ACCEPTED THE INDEFINITE DIVISION OF GERMANY. FOR ONE THING, THE QUESTION OF REUNIFICATION IS LINKED TO BERLIN ISSUES WITHIN THE FRAMEWORK OF QUADRIPARTITE RIGHTS AND RESPONSIBILITIES. OUR COMMITMENT TO SUPPORT THE REUNIFICATION OF GERMANY IN A DEMOCRATIC STATE IS EMBODIED IN THE SAME DOCUMENT--THE CONVENTION ON RELATIONS--IN WHICH WE, THE BRITISH, AND THE FRENCH HAVE STATED AN INTENTION TO GO ON EXERCISING CERTAIN SPECIAL RIGHTS AND RESPONSIBILITIES RELATING TO BERLIN AND GERMANY AS A WHOLE. IN ADDITION, IT IS CLEAR THAT THE DIVISION OF GERMANY REMAINS A SENSITIVE POLITICAL ISSUE IN THE FRG DESPITE THE SPD-FDP COALITION GOVERNMENT'S PRACTICAL ACCEPTANCE OF IT DURING THE PAST SIX YEARS.

16. THUS, THE U.S. OBVIOUSLY CANNOT ENTIRELY DISSOCIATE ITSELF, EITHER LEGALLY OR POLITICALLY, FROM GERMAN NATIONAL ASPIRATIONS. AT THE SAME TIME, IT IS NOT IN OUR INTEREST TO DRAMATIZE THIS ISSUE OR PLAY AN ACTIVE ROLE WITH RESPECT TO IT. AS A PRACTICAL MATTER, THE DIVISION OF GERMANY IS AN ESSENTIAL PART OF THE COMPLEX PATTERN OF RELATIONSHIPS IN EUROPE THAT HAS MADE A RELAXATION BETWEEN EAST AND WEST POSSIBLE. IT IS IMPOSSIBLE TO CONCEIVE OF CHANGES IN EASTERN EUROPE WITHIN THE FORESEEABLE FUTURE THAT WOULD ALTER THIS FACT, JUST AS IT IS HARD TO IMAGINE THAT THERE COULD BE ANY SIGNIFICANT REVIVAL OF POLITICAL INTEREST IN GERMAN REUNIFICATION WITHOUT ITS HURTING DETENTE. WE HAVE SUCCEEDED VERY WELL IN RECENT YEARS IN STAYING CLEAR OF THE REUNIFICATION ISSUE, AND WE SHOULD CONTINUE THIS PRACTICE.

BERLIN

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PAGE 04 BONN 05128 04 OF 08 271917Z

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PAGE 01 BONN 05128 05 OF 08 271922Z

67

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

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C O N F I D E N T I A L SECTION 05 OF 08 BONN 05128

17. BERLIN IS ANOTHER MATTER. THERE WE ARE HEAVILY
ENGAGED AND MUST REMAIN SO IF THE WESTERN SECTORS ARE TO
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PAGE 02 BONN 05128 05 OF 08 271922Z

SURVIVE AS A DEMOCRATIC SOCIETY. THERE IS VERY LITTLE ROOM FOR CHANGE OR EXPERIMENT IN OUR OVER-ALL POLICY, ALTHOUGH THERE ARE THINGS WE CAN DO TO ENHANCE THE CITY'S VIABILITY WITHIN THAT POLICY. THE QA, TOGETHER WITH THE INNER-GERMAN IMPLEMENTING AGREEMENTS, HAS EASED LAND ACCESS AND BROUGHT A REMARKABLE SURGE OF LAND TRAFFIC TO AND FRO, BUT IT HAS NOT CHANGED BERLIN'S SECURITY SITUATION IN ANY FUNDAMENTAL WAY--NOR WAS IT INTENDED TO. MOREOVER, THE AREAS IN WHICH IT HAS NOT FUNCTIONED SO WELL--FOREIGN REPRESENTATION OF BERLIN'S INTERESTS BY THE FRG AND DEVELOPMENT OF TIES BETWEEN THE FRG AND THE WESTERN SECTORS--ARE ONES THAT HAVE GIVEN RISE TO FRICTION BETWEEN THE FRG AND THE USSR. EVEN IF WE SET ASIDE THE POSSIBILITY OF A REAL COLLAPSE OF EAST-WEST DETENTE AND OF A REPLAY OF THE BIG BERLIN CRISES OF EARLIER YEARS, IT IS STILL CLEAR THAT WE, ALONG WITH OUR BRITISH AND FRENCH COLLEAGUES, WILL NEED TO THINK CAREFULLY ABOUT STEPS TO BE TAKEN IN THE SHORT AND MEDIUM-TERM FUTURE IN CONNECTION WITH THE EXERCISE OF OUR SPECIAL RIGHTS AND RESPONSIBILITIES.

18. SO FAR AS THE SOVIETS ARE CONCERNED, WE SHOULD USE EVERY OPPORTUNITY, BILATERAL AS WELL AS MULTILATERAL, TO IMPRESS UPON THEM THAT BERLIN REMAINS A KEYSTONE OF DETENTE, JUST AS IT WAS IN 1970-71 WHEN THE FRG-SOVIET TREATY AND THE QA WERE BEING NEGOTIATED, AND THAT A POLICY OF PIN PRICKS BASED ON RESTRICTIVE, SELF-SERVING INTERPRETATION OF THE QA IS DAMAGING TO DETENTE. IF THE SOVIETS' FRUSTRATION OVER THE WORKING OF THE QA HAS REACHED A POINT WHERE THEY ARE PREPARED TO ASK FOR FOUR POWER CONSULTATIONS--AND THIS IS ONE INTERPRETATION PUT ON THE RETURN OF ABRASIMOV TO EAST BERLIN--WE WOULD HAVE NO CHOICE BUT TO GO ALONG. HOWEVER, WE SHOULD IN NO WAY ENCOURAGE THE IDEA OF CONSULTATIONS, AND WE SHOULD CONTINUE AS IN THE PAST TO REJECT THE NOTION OF A BROAD DISCUSSION OF AIR MATTERS WITH THE SOVIETS.

19. WITH RESPECT TO THE FRG, WE SHOULD TRY TO MAKE CLEAR THE NEED FOR CLOSER CONTROL OVER, AND MORE EXTENSIVE DISCUSSIONS OF, POLITICALLY SIGNIFICANT MOVES RELATING TO BERLIN. WHILE THE DEVELOPMENT OF BONN-BERLIN

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 05128 05 OF 08 271922Z

TIES WITHIN ACCEPTABLE LIMITS IS ESSENTIAL TO THE CITY'S FUTURE, WE SHOULD INSIST THAT MOVES BE CAREFULLY CONSIDERED IN ADVANCE, NOT ONLY FOR THEIR CONSISTENCY WITH THE QA AND WITH THE STATUS OF BERLIN, BUT ALSO FOR THEIR WISDOM IN THE LIGHT OF OVER-ALL POLICY TOWARD EASTERN EUROPE.

ECONOMIC RELATIONS

20. THE FOREIGN ECONOMIC POLICY OF THE FEDERAL REPUBLIC BOTH IN STRATEGIC CONCEPTION AND TACTICAL APPLICATION CLOSELY COINCIDES WITH U.S. POLICY INTERESTS. THE FRG HAS TRADITIONALLY PURSUED LIBERAL, OUTWARD-LOOKING FOREIGN ECONOMIC POLICIES AND HAS PROVIDED STRONG SUPPORT FOR U.S. POLICY INITIATIVES ACROSS THE BROAD FOREIGN ECONOMIC POLICY SPECTRUM. IN ORDER TO REINFORCE AND STRENGTHEN THIS CLOSE RELATIONSHIP, THE U.S. MUST CONTINUE TO PROVIDE STRONG FORWARD-LOOKING LEADERSHIP IN THE FOREIGN ECONOMIC POLICY SPHERE.

21. UNITED STATES LEADERSHIP IS A FUNDAMENTAL INGREDIENT IN THE FORMULATION OF GERMAN FOREIGN ECONOMIC POLICY. THE FRG HAS BEEN ABLE TO DEVELOP ITS STRONG COMMITMENT TO A LIBERAL WORLD ECONOMIC ORDER PRIMARILY BECAUSE THE UNITED STATES WAS AT THE VANGUARD OF THE DEVELOPMENT OF SUCH POLICIES, WHICH THE GERMANS SAW AS COMPLEMENTARY TO OUR POLITICAL/MILITARY LEADERSHIP IN THE ATLANTIC

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 05128 06 OF 08 271927Z

67

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

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ERDA-05 NRC-05 FEA-01 OES-03 SNM-02 DEAE-00 /118 W

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FM AMEMBASSY BONN

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C O N F I D E N T I A L SECTION 06 OF 08 BONN 05128

ALLIANCE. IT SHOULD REMAIN OUR OBJECTIVE TO MAINTAIN
THE FRG'S SUPPORT FOR OUR ECONOMIC POLICIES, AS SHE
CONTINUES TO BE ALLIED WITH US IN THE POLITICAL/MILITARY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 05128 06 OF 08 271927Z

SPHERE. THIS OBJECTIVE SHOULD BE ALL THE MORE PARAMOUNT
IN OUR CONSIDERATIONS IN THE LIGHT OF THE FRG'S
TREMENDOUS ECONOMIC STRENGTH AS ONE OF THE WORLD'S GREAT
TRADING COUNTRIES, WITH AN EXTREMELY STRONG TRADE
SURPLUS, AND THE HOLDER OF THE LARGEST FOREIGN EXCHANGE
RESERVES. IF THE FRG WERE TO PERCEIVE A DIMINUTION IN
THE U.S. COMMITMENT OR ABILITY TO PROVIDE THE FREE WORLD
ECONOMIC LEADERSHIP, IT WOULD BE FACED WITH THE CHOICE
OF EXERCISING MORE LEADERSHIP ITSELF OR ORIENTING ITS
POLICIES TOWARD OTHER POWER CENTERS. IN EITHER CASE, WE
COULD BE FACED WITH A SITUATION WHERE GERMAN FOREIGN
ECONOMIC POLICY WOULD DEVELOP IN DIRECTIONS LESS COMPATI-
BLE WITH U.S. INTERESTS.

22. DURING THE PAST YEAR, THE FRG HAS PROVIDED STRONG
SUPPORT FOR THE MAJOR U.S. FOREIGN ECONOMIC POLICY
INITIATIVES. THE OUTSTANDING EXAMPLE IS GERMAN
COOPERATION IN THE DEVELOPMENT OF THE INTERNATIONAL
ENERGY AGENCY AND ITS RELATED ENERGY AND FINANCIAL
PROGRAMS. IN THE YEARS AHEAD WE WILL CONTINUE TO RE-
QUIRE STRONG GERMAN SUPPORT FOR OUR POLICIES IN THE
FIELDS OF ENERGY, OTHER PRIMARY COMMODITIES, FOOD, TRADE,
INVESTMENT AND FINANCE, AID COORDINATION, RELATIONS
WITH THE LDC'S, INCLUDING THEIR MUCH-TOUTED "NEW ECONOMIC
ORDER". FREQUENT AND CLOSE BILATERAL CONSULTATIONS WITH
THE FRG OFFER THE BEST PROSPECT FOR HARMONIZATION OF OUR

POLICIES.

23. EXPANSION OF U.S. EXPORTS. THE PROMOTION AND EXPANSION OF U.S. EXPORTS TO GERMANY SHOULD BE ONE OF OUR PRIMARY OBJECTIVES. WHILE THE FRG CONTINUES TO BE OUR LARGEST TRADING PARTNER IN EUROPE, OUR TRADE DEFICIT WITH GERMANY HAS INCREASED. NEVERTHELESS, AS AMERICAN GOODS BECOME HOPEFULLY MORE COMPETITIVE, OUR OBJECTIVE OVER THE NEXT TWO YEARS SHOULD BE TO TAKE FULL ADVANTAGE OF THE TREMENDOUS ABSORPTIVE CAPACITY OF THE GERMAN MARKET. THE U.S. GOVERNMENT SHOULD MAKE SUFFICIENT FINANCIAL AND PERSONNEL RESOURCES AVAILABLE TO UNDERTAKE THE MOST APPROPRIATE TRADE PROMOTION EFFORTS (EXPANDED TRADE FAIR PARTICIPATION, TRADE CENTER EXHIBITS, ETC.), ON A SCALE COMMENSURATE WITH THE SIZE AND SOPHISTICATION
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 05128 06 OF 08 271927Z

OF THE GERMAN MARKET, SO THAT WE MAY IMPROVE OUR EXPORT PERFORMANCE IN THE FRG.

24. INVESTMENTS IN THE U.S. INVESTMENTS IN THE UNITED STATES BY GERMAN FIRMS IN 1974 CONTINUED AT A HIGH LEVEL, EXCEEDING SUCH INVESTMENTS FROM ANY OTHER COUNTRY. DURING THE FIRST HALF OF 1974, GERMAN INVESTMENTS REACHED THE HIGHEST LEVEL FOR ANY SIX-MONTH PERIOD SINCE WORLD WAR II. OUR OBJECTIVE FOR THE NEXT TWO YEARS, IN KEEPING WITH OUR POLICY OF A FREE INTERNATIONAL FLOW OF INVESTMENTS AND IN SUPPORT OF OUR BALANCE OF PAYMENTS OBJECTIVES, SHOULD BE TO ENCOURAGE FURTHER CONSTRUCTIVE DIRECT GERMAN INVESTMENTS IN THE U.S. BY PUBLICIZING INVESTMENT OPPORTUNITIES AND BY EMPHASIZING THE HOSPITABLE CLIMATE FOR SUCH INVESTMENTS IN THE U.S.

PROMOTION OF FAVORABLE CLIMATE OF OPINION

25. THE WEST GERMAN PUBLIC CONTINUES TO HOLD A GENERALLY POSITIVE VIEW OF U.S.-GERMAN RELATIONS. RECENT POLLS SHOW A RISING TREND (DECEMBER 1974 FIGURE: 77 PER CENT) AMONG THOSE WHO FEEL THE FRG SHOULD ESTABLISH ESPECIALLY CLOSE RELATIONS WITH THE U.S. WHILE POLLS TAKEN IN THE SECOND HALF OF 1974 SHOW A STRENGTHENING OF THE CONVICTION THAT FIRM ALLIANCE WITH THE U.S. IS PREFERABLE TO A NEUTRALIST TREND, THEY ALSO DEMONSTRATE THAT CONCERN OVER SECURITY AND DEFENSE ISSUES HAS LESSENED SOMEWHAT.

26. MUCH OF THE FOCUS, IN FACT, HAS SHIFTED FROM POLITICAL/SECURITY MATTERS TO ECONOMIC ISSUES, ESPECIALLY ENERGY, RECESSION, AND INFLATION PROBLEMS. THE MEDIA HAVE CONCENTRATED VERY HEAVILY ON THE SHORT

TERM AND LONGER RANGE ASPECTS OF THE ENERGY SITUATION,
ESPECIALLY PRICE AND SUPPLY; THIS IS DUE IN PART TO THE
FRG'S HEAVY RELIANCE ON IMPORTED OIL. U.S. PROPOSALS
FOR INTERNATIONAL COOPERATION HAVE RECEIVED EXTENSIVE
COVERAGE, BUT THE COMPLEXITY OF THE ISSUE HAS INCREASED
THE POSSIBILITIES OF MISUNDERSTANDING AND CONSEQUENT
LACK OF SUPPORT AMONG THE PUBLIC AT LARGE. UNEMPLOYMENT,

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 BONN 05128 06 OF 08 271927Z

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 05128 07 OF 08 271933Z

67

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

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C O N F I D E N T I A L SECTION 07 OF 08 BONN 05128

RECESSION, AND WORLDWIDE INFLATIONARY TRENDS HAVE ALSO
RECEIVED WIDE ATTENTION IN THE MEDIA, BUT CONSIDERABLE
DOUBT PERSISTS AS TO WHETHER THE U.S. IS TAKING ADEQUATE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 05128 07 OF 08 271933Z

MEASURES TO REMEDY ITS DOMESTIC ECONOMIC ILLS. THAT,
IN TURN, LEADS TO SPECULATION AND CRITICISM ABOUT THE
EFFECT OF CONTINUED STAGFLATION IN THE U.S. ON INTER-
NATIONAL TRADE AND MONETARY RELATIONS AND ESPECIALLY ON
THE GERMAN ECONOMY.

27. THE U.S. SHOULD CONTINUE TO STRENGTHEN THE PUBLIC
AFFAIRS EFFORT THROUGHOUT THE FRG. EMPHASIS SHOULD BE
MODIFIED TO GIVE PRIMARY ATTENTION TO: (1) ECONOMIC AND
ENERGY PROBLEMS AND U.S. LEADERSHIP IN SOLVING THESE
PROBLEMS; (2) THE DYNAMICS OF AMERICAN SOCIETY, RELATING
PROGRAMS IN THIS CATEGORY WHEREVER POSSIBLE TO THE
BICENTENNIAL COMMEMORATION; AND (3) CONTINUED MUTUAL
COMMITMENT OF THE FRG AND THE U.S. TO NATO AND THE
ATLANTIC ALLIANCE. IN CONNECTION WITH POINTS (2) AND
(3), IT SHOULD BE NOTED THAT THE FAVORABLE POLL RESULTS
OF LATE 1974 COULD BEGIN TO SHIFT SOMEWHAT IN LIGHT OF
THE INFLUENCE NOW BEING EXERCISED ON U.S. FOREIGN
POLICY BY THE NEW CONGRESS. THIS SHOULD BE WATCHED
CLOSELY, AND A CONSTRUCTIVE EFFORT SHOULD BE MADE TO
HELP WEST GERMANS TO UNDERSTAND THE NEW DEVELOPMENTS.
THE MAIN THRUST OF THE U.S. INFORMATION PROGRAM SHOULD
BE DIRECTED TOWARD IDENTIFIABLE AUDIENCES INSIDE AND
OUTSIDE THE GOVERNMENT, WHICH ARE CAPABLE OF EXERTING
INFLUENCE ON FRG POLICY NOW OR IN THE NEAR FUTURE.
HOWEVER, THIS APPROACH SHOULD NOT BE EXCLUSIVE AND A
LIMITED AMOUNT OF RESOURCES SHOULD CONTINUE TO BE
DEVOTED TO MAKING SELECTED FACILITIES AVAILABLE TO
BROADER SECTORS OF THE GERMAN PUBLIC WHICH EXPRESS AN
INTEREST IN THE U.S. AND ITS POLICIES.

28. THE TREND NOTED LAST YEAR OF POLITICALLY ORIENTED
STUDENTS BECOMING MORE ACCESSIBLE TO MISSION PUBLIC

AFFAIRS PROGRAMING HAS CONTINUED. SOME YOUNG POLITICAL LEADERS WHO HAD REFUSED TO SET FOOT IN THE AMERICA HOUSES DURING THE YEARS OF U.S. INVOLVEMENT IN VIETNAM HAVE IN RECENT MONTHS BECOME REASONABLY RESPONSIVE TO INVITATIONS FOR DISCUSSIONS AND AMERICA HOUSE EVENTS. A GROUP OF YOUNG SOCIALIST (JUSO) LEADERS, FOR EXAMPLE, PARTICIPATED IN A USIS-SPONSORED TOUR TO NATO HEAD-QUARTERS IN BRUSSELS TO DISCUSS SECURITY AND ATLANTIC
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 05128 07 OF 08 271933Z

ALLIANCE QUESTIONS.

29. WHILE THERE IS STILL NO RELIABLE MEANS OF MEASURING THE EFFECT OF PUBLIC AFFAIRS PROGRAMING, THE WILLINGNESS OF THE FRG AT THE NATIONAL, STATE, AND LOCAL LEVELS TO CONTRIBUTE TO THE MAINTENANCE OF BOTH U.S. GOVERNMENT AND BINATIONAL CULTURAL INSTITUTIONS, EVEN AT A TIME OF ECONOMIC STRAIN, IS A SIGNIFICANT INDICATION OF THE IMPORTANCE AND ESTEEM ACCORDED THESE CENTERS BY THE HOST COMMUNITIES.

LABOR MATTERS

30. CONTACTS BETWEEN THE AFL/CIO AND THE GERMAN FEDERATION OF LABOR (DGB) HAVE EXPANDED DURING THE PAST YEAR AND THE EMBASSY HAS PLAYED AN ACTIVE ROLE IN FOSTERING THIS DIALOGUE WHICH, INTER ALIA, HAS EXTENDED TO A VARIETY OF INTERNATIONAL ISSUES AND TO THE DEVELOPMENT OF COOPERATION IN SUCH AREAS AS FOREIGN ASSISTANCE TO TRADE UNIONS IN DEVELOPING COUNTRIES AND THE SUPPORT OF NATO. THESE RELATIONS ARE IMPORTANT FOR A NUMBER OF REASONS. THE INFLUENCE OF THE GERMAN TRADE UNIONS HAS CONTINUED TO GROW WITHIN THE FRG AND INTERNATIONALLY. THE VIEWS OF ORGANIZED LABOR ARE PARTICULARLY SIGNIFICANT IN A COUNTRY WHERE THE EXISTING COALITION GOVERNMENT IS DOMINATED BY THE SPD. THE CHANCELLOR HAS NAMED SEVERAL TRADE UNIONISTS TO ADDITIONAL HIGH MINISTERIAL POSITIONS INCLUDING THAT OF MINISTER OF EDUCATION. IT IS CLEAR THAT THE USSR AND THE EASTERN EUROPEAN COUNTRIES CONTINUE TO GIVE HIGH PRIORITY TO INFLUENCING THE FEDERAL REPUBLIC THROUGH THE LABOR MOVEMENT. RELATIONS BETWEEN THE AFL/CIO AND THE DGB CONTINUE TO BE UNEASY OVER THE ISSUE OF RELATIONS BETWEEN WESTERN LABOR MOVEMENTS AND LABOR ORGANIZATIONS IN COMMUNIST COUNTRIES. THE EMBASSY WILL CONTINUE TO DEVOTE PARTICULAR ATTENTION TO THE ENCOURAGEMENT OF US-FRG COOPERATION IN LABOR AND SOCIAL SECURITY MATTERS.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 05128 08 OF 08 271930Z

67

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

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C O N F I D E N T I A L SECTION 08 OF 08 BONN 05128

U.S. OBJECTIVES IN SCIENTIFIC, ENVIRONMENTAL, AND
TECHNOLOGICAL AFFAIRS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 05128 08 OF 08 271930Z

31. THE CLOSE U.S. RELATIONSHIP WITH THE FRG IN SCIENCE AND TECHNOLOGY MAKES POSSIBLE FRUITFUL CONSULTATIONS AND COOPERATION INVOLVING, FOR EXAMPLE, THE POLITICALLY AND COMMERCIALY SENSITIVE TECHNOLOGIES RELEVANT TO NUCLEAR EXPORT CONTROLS, BILATERAL AND MULTILATERAL PROGRAMS IN SPACE, ENERGY RESEARCH AND DEVELOPMENT, AND OTHER PRIORITY AREAS OF TECHNOLOGY, AND EXPANDING CONTACTS IN ALL ASPECTS OF INTERNATIONAL ENVIRONMENTAL AFFAIRS WITHIN THE FRAMEWORK OF A NEW GOVERNMENT-GOVERNMENT AGREEMENT. THE U.S. SHOULD MAINTAIN AND EXPAND THESE EXISTING PROGRAMS AND CONTINUE OUR EFFORTS TO DEVELOP NEW MECHANISMS FOR COOPERATING MORE EFFECTIVELY IN RESEARCH AND DEVELOPMENT ON THE COMMERCIALY-INTERESTING TECHNOLOGIES AS THEY APPROACH PRACTICAL UTILIZATION.

NARCOTICS CONTROL

32. THE FRG CONTINUES TO PLAY A SIGNIFICANT ROLE IN U.S. EFFORTS TO STEM THE FLOW OF DANGEROUS DRUGS TO THE U.S. THE U.S. MILITARY IN GERMANY STILL FACES A DRUG ABUSE PROBLEM. IN 1974 THERE WAS A MARKED IMPROVEMENT AT ALL LEVELS IN NARCOTICS CONTROL ENFORCEMENT. SIMILARLY, THERE WAS A CONTINUING EFFORT TO IMPROVE DRUG ABUSE EDUCATION/REHABILITATION PROGRAMS. IN 1975 AND BEYOND, WE SHOULD CONTINUE TO SEEK THE FRG'S COOPERATION IN DEALING WITH THE NARCOTICS PROBLEM BY SUPPORTING JOINT PROGRAMS TO CONTROL THE FLOW OF DRUGS THROUGH GERMANY. WE SHOULD ALSO EXPLORE THE POSSIBILITIES FOR INCREASED U.S.-FRG COOPERATION IN SCIENTIFIC RESEARCH ASSOCIATED WITH DRUG CONTROL AND, AS CIRCUMSTANCES WARRANT, WE SHOULD ENCOURAGE THE FEDERAL REPUBLIC TO TAKE DIPLOMATIC INITIATIVES IN THIRD COUNTRIES IN THE SPHERE OF NARCOTICS CONTROL.

33. WE ARE SUBMITTING OUR COMMENTS ON RESOURCE STAFFING AND FUNDING SEPARATELY BY AIRGRAM.

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